Chains put faith in old favorite toys under $10

While the talk of the toy industry has been electronic dolls that respond to children's commands, most drug retailers continue to emphasize items under $10.

Although chains in affluent areas will carry pricey toys, most drug stores rely on the old-fashioned favorites that have endured.

Snyder's Drugs and Shoppers Drug Mart are among chains that have recently rolled out planograms emphasizing staple items, such as squirt guns, hula hoops, board games and Play-Doh. Industry observers say that besides being well-suited for impulse or last-minute purchases, such low-ticket items are sought by seasonal buyers trying to offset the high price points of other items on their shopping lists.

Anchors with staples

"Staples is where you make your profits. You can't afford to forget those types of items," said Ed Easton, Kinney Drugs' toy buyer, who anchors the chain's high exposure in holiday promotional goods with steady-selling basics.

Preschool toys, board games, Play-Doh and Colorforms were among staples with strong sell-throughs in Northeastern and Mid-Atlantic chains served by Greenman Brothers, the Farmingdale, N.Y.-based toy jobber, according to Larry Cohen, sales and marketing director.

Staples can account for 60% of the sku assortment that Greenman supplies to chains, including Austin Drugs, Genovese, Osco, Pathmark, Stop & Shop and Douglas Drug.

"The staples were much stronger this year than Christmas-only items," said Snyder's buyer Rick Burns.

Snyder's is completing a rollout of everyday planograms, averaging 36 ft., which it supplies from its warehouse. Burns said standbys such as the board games "Go To The Head of The Class" and "Sorry" were among top sellers in Snyder's holiday product assortment.

He said the chain finished the season with some "aggressive markdowns" on plush toys to sell through its inventory.

No blockbuster

The lack of a blockbuster toy in 1986, combined with the stirrings of a consumer backlash against rising toy prices, boosted the staple segment, said Jodi Levin, communications director, Toy Manufacturers of America.

"For some families, it's a big sacrifice to pay for those high-priced dolls. They need to balance it out under the Christmas tree with Silly Putty and Lego bricks," Levin said.

"Staples is where you make your profits. You can't afford to forget those types of items," said Ed Easton, Kinney Drugs' toy buyer, who anchors the chain's high exposure in holiday promotional goods with steady-selling basics.

"We've had a very strong year in basics," Levin noted, saying strong sellers were construction toys, blocks, Tinker Toys and baby dolls.

In Canada, Shoppers Drug Mart has begun an eight-store test of a 24-ft. planogram, which SDM will cross-merchandise with a baby products department that produces strong sales, according to buyer Bob Buckham.

It will contain price points under $10 with items such as imported squirt guns, hula hoops and jacks, board games, collectible action figures and the Barbie Doll, said Buckham. The section will also em-

Continued on page 26

Drug store share of toy market gains slightly
1980 retail sales
Department stores 20%
Drug stores 3.2%
Catalog showrooms 6%
Toy stores 17%
1985 retail sales
All others 21.6%
Department stores 15%
Catalog showrooms 6%
Drug stores 3.4%
Source: Toy Market Index survey by NPD Group, Port Washington, N.Y.

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MERCHANDISING TRENDS

Unadvertised toys offer high markup potential

Continued from page 25

phasize Fisher-Price and Playskool items to tie in with the baby goods.

"We're not getting into the high-end lines, because our customer is not focused on SDM as a toy store," Buckham noted.

Shuns high tickets

Rite Aid chooses to avoid high-ticket promotional items completely, knowing it can't compete on price with toy stores and still retain a full markup, according to Rite Aid buyer Irv Trionfo. Rite Aid doesn't even carry advertised name brand board games such as "Scrabble" and "Monopoly," to avoid competitive pricing, preferring to carry unadvertised chess, checker, backgammon and other games. It pegs blind-item toys from 69¢ to $1.99.

Trionfo said he was unsatisfied with a test of higher-ticket name brand preschool goods including Playskool and Fisher-Price.

"We want to make a markup on it, at least in the 20% to 30% range. But the toy stores are making 10% to 15%," Trionfo said.

Kerr Drugs backed out of high-price plush this year, after a trial with Teddy Ruxpin in 1986. "We knew everybody would be out there with it this year," noted buyer Bill Carpenter.

Kerr's 56-ft. everyday planogram averages 36% margins, relying on games, books, models and preschool. But perennial winners among Christmas promotional items slipped this Christmas, including Pound Puppies and Cabbage Patch dolls, Kerr said.

Looking for winners

Is there a winner around the corner? Sources say that this year's Toy Fair will feature strong entries from Milton-Bradley in board games, Fisher-Price updates and Hasbro action collectibles.

Most intriguing is another version of Barbie from Mattel—Secrets Barbie—and Ghostbusters, a new action figure line from Kenner at $6 per piece.

Snyder's Drugs' Plymouth, Minn., store features an everyday 36-ft. toy planogram stocked 100% from its warehouse.

Kinney bags profits with high-end toys

Kinney Drugs is one chain that chooses to compete head-on with toy stores and other toy competitors, using the resources of its warehouse system and experience gained from years of strong toy departments.

"We have learned to live and die by our decisions," says Ed Easton, toy buyer for the 29-store chain based in Gouverneur, N.Y.

Since Kinney buys direct, unlike the many chains that rely on wholesalers for their toy goods, it can compete on price with the specialty stores. "You have to be sharp in price, and there's always some profit," Easton noted.

Kinney met its goal this year with an 80% to 85% sell-through, compared with 1985's 81% sell-through. It ran one to four pages of toy promotions in circulars starting in September for the Christmas season.

While Easton swears by the importance of the staple category—with staples allowing for a mid-30's markup and predictably regular sales—Kinney has scored with Teddy Ruxpin and other high-end doll knockoffs. Collectible action figures, including Hasbro's G.I. Joe and Transformers, were also strong performers in 1986, Easton noted.

The high-ticket promotional items, though, are a low-profit category that doesn't allow for a markup beyond 20%.

"People fall into a pattern of thinking the hot licensed products will be the best. But the staples will always be your money-maker," Easton said.

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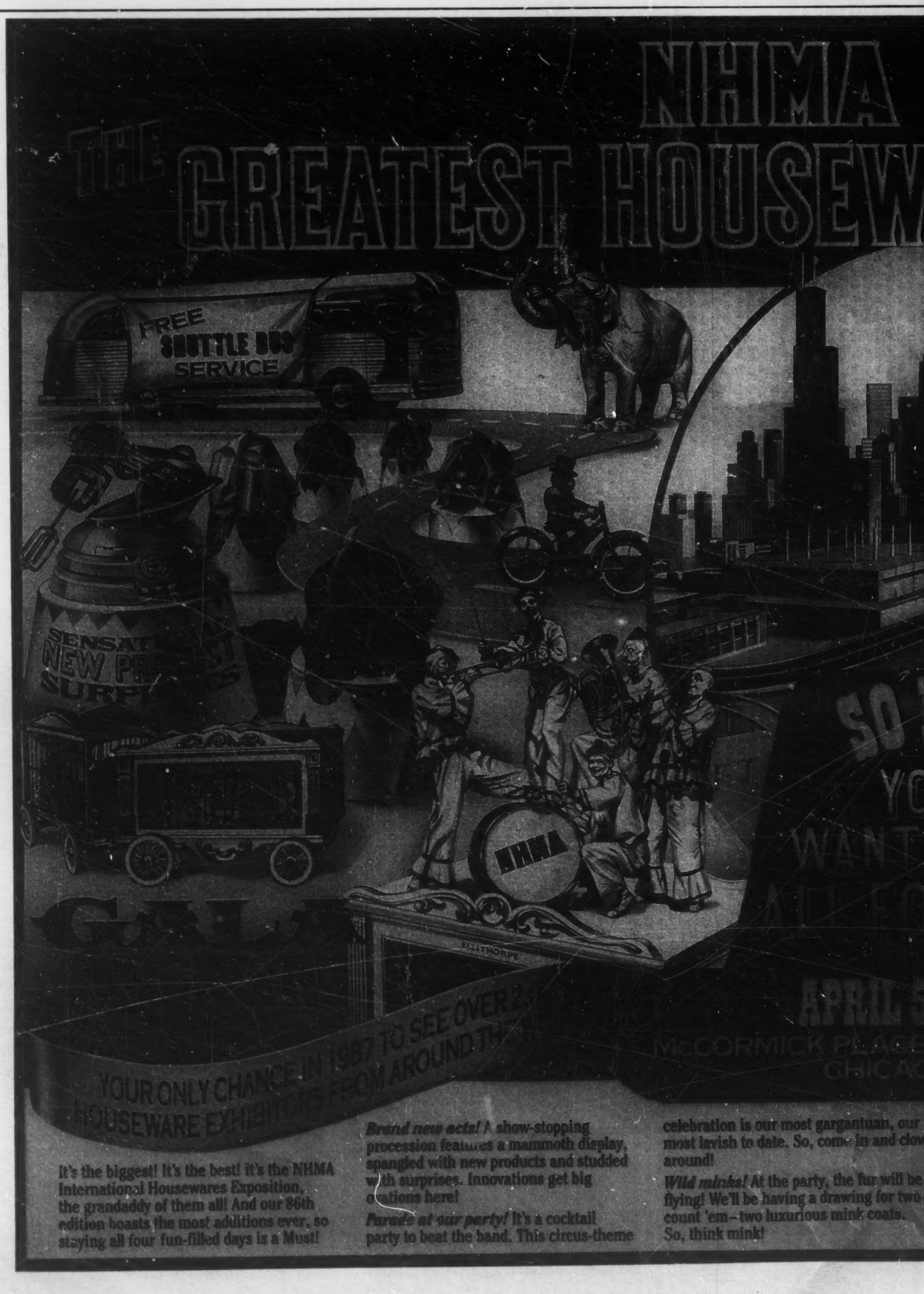
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INSIDE PHARMACY®

Heart drug scripts take sharp turn upward

WASHINGTON — Cardiovascular drugs now account for nearly one out of every six prescriptions dispensed by retail pharmacies in the United States, according to a new drug utilization study released by the Food and Drug Administration.

In addition to being the largest single class of drugs, they are also one of the fastest growing categories, F.D.A.'s figures show.

The total number of cardiovascular drug prescriptions increased in 1985 by 4%—four times the growth rate for all Rxs dispensed—reaching a record 230 million. This represents 15% of all prescriptions during that year. The subcategory of heart drugs showing the biggest jump in popularity is beta/alpha-beta blockers, accounting for 4% of the total number of cardiovascular drug prescriptions in 1985, up 3% from 1984.

While heart drugs enjoy the No. 1 spot on the popularity chart, several other classes of medications have shown marked declines in popularity.

Classes showing decline

For example, prescriptions for contraceptives (almost exclusively oral contraceptives) totaled approximately 50 million in 1985. Growing concern over the safety of oral contraceptives may explain the 3% drop in this category, compared with the previous year.

Another major class of drugs showing a decline in prescriptions is diuretics, in particular thiazides, which accounted for 12% fewer prescriptions in 1985 than the previous year.

On the whole, F.D.A.'s newly released seventh annual drug review indicates that the total number of prescriptions in 1985 rose 1% from the year before, to about 1.55 billion, at a consumer cost of $20.3 billion. The numbers translate into $13.09 per prescription.

Overall drug use figures also show that during a 14-year period beginning in 1971, the size of a prescription (i.e., the average number of capsules, tablets or other units) increased by 29%.

Data for the drug review were taken from three pharmaceutical marketing sources, which included the National Prescriptions Audit, the National Disease and Therapeutic Index and the U.S. Pharmaceutical Market, according to the report's authors.

Leading prescription products in dollar sales include Smith Kline & French's Tagamet and Dyazide, Ayerst's Inderal, Glaxo's Zantac and Syntex's Naprosyn.

Generics face battle

The drug utilization study also tackles the generic vs. brand name issue with figures showing that the often cheaper generic drugs continue to face tough competition from "pioneer" or brand name versions.

See **Study,** *page 34*

Product	Rank by Rxs	Rank by $
Dyazide	1	4
Lanoxin	2	52
Inderal	3	2
Valium	4	6
Tylenol with Codeine	5	36
Amoxil	6	30
Tagamet	7	1
Lasix	8	29
Darvocet-N 100	9	14
Motrin	10	18
Keflex	11	8
Premarin	12	26
Tenormin	13	9
Naprosyn	14	5
Xanax	15	12
Synthroid	16	53
Lopressor	17	11
Theo-Dur	18	28
Aldomet	19	13
Slow-K	20	39
Ativan	21	17
Dilantin Sodium	22	38
E.E.S.	23	60
Feldene	24	7
Zantac	25	3

Maryland MD-dispensing law under fire from F.T.C. staff

WASHINGTON — Federal Trade Commission officials are bringing pressure on Maryland regulators to soft-pedal a new state law designed to restrict sales of prescription drugs by physicians.

In a direct appeal to Maryland's State Board of Medical Examiners, F.T.C. "consumer protection" staffers argued that MD Rx dispensing benefits the public "by enabling consumers to avoid making a separate trip to a pharmacy."

But more importantly, F.T.C. officials maintained, "the competition resulting from dispensing by physicians may enhance the incentive for pharmacists to offer lower prices and additional services to consumers."

See **Dispensing,** *page 36*

Generic birth control pills appearing

For the first time, millions of women who use oral contraceptives will be able to buy generic versions this year.

Rugby Laboratories, soon to be followed by Searle Pharmaceuticals, is distributing generic birth control pills with norethindrone, which went off patent in 1981.

Rugby's generic version of Ortho-Novum 1/35 (norethindrone and ethinyl estradiol) and 1/50 (norethindrone and mestranol), called Genora, is being produced by Syntex General Products. Syntex now markets both products under the brand name Norinyl 1/35 and 1/50 and thus will be competing against itself.

Searle Pharmaceuticals also plans to distribute generic birth control pills, pending approval by the Food and Drug Administration. The generic pill will be manufactured by Watson Labs of Corona, Calif., in a joint venture with Gynex of Des Plaines, Ill. In an unusual arrangement, Searle will carry the liability insurance on the product.

According to Stephen Simes, vice president at Gynex, the liability issue was one of the major reasons for the collaboration. With the recent liability insurance crisis, Simes noted that there is "no insurance available." Watson and Gynex are seeking approval for a total of seven generic birth control products.

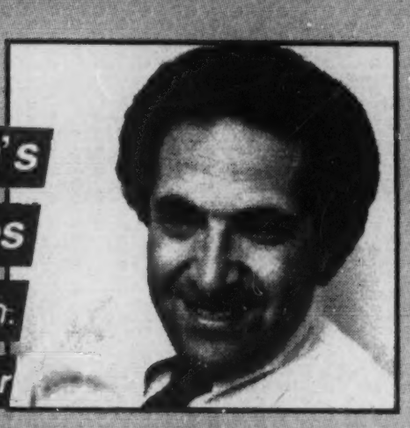
In the Syntex-Rugby venture, Syntex, the manufacturer, will be assuming liability.

See **Pills,** *page 38*

Professional ethics paramount for pharmacists

Cohen's Capsules

Harold Cohen, R.Ph.
Pharmaceutical Editor



Ethics is something most people have to wrestle with at one time or another, whatever their career. But for health professionals, dealing with ethics seems to be a daily concern.

Pharmacists in particular face ethical situations probably more than most health care professionals. In fact, they are hit with a double dose of ethical rights and wrongs. First, they have to be aware of business ethics and then tackle professional ethics. Or should it be the other way around?

To my way of thinking, there is no question that professional ethics should always come before business ethics. While there are many scenarios in retail pharmacy that come to mind where ethical decisions have to be made, one stands out: script renewals, especially for abused substances.

There isn't a retail pharmacist who hasn't been faced with a doctor who writes *prn* in the refill box, with complete disregard for the patient taking the medication. (For those of you who are not pharmacists, *prn* is an abbreviation of the Latin for "refill as needed.") Generally, the law in most states is that *prn* prescription can only be renewed for one year; then permission or a new prescription must be obtained from the physician. In the case of abused or "controlled" substances like narcotics and sedatives, restrictions are usually for six months. But for a patient addicted or dependent on those drugs, even six months is too long.

In some cases, pharmacists are faced with selling prescriptions to customers who they believe are addicted or dependent on these drugs. The ethical question is, do I continue to sell them their drugs, or refuse? After all, selling prescriptions helps cash flow. In reality, the decision is not an easy one.

It's easy to rationalize that, after all, the doctor is the one who really should take up the responsibility for the patient's drug abuse problem; he or she wrote the prescription. But it's not that simple.

I believe it is our duty to investigate what appears to be obvious drug abuses. You know what I mean. The patient who comes in with the prescription refill way ahead of the doctor's prescribing schedule and says he lost his pills or dropped some down the sink.

For those of you who have computer systems, I believe it is your job to review drug utilization and set parameters that you can live with professionally. It's interesting how "ethical" some pharmacists become when the prescription is not for a cash customer but being paid by a third party like the Medicaid program. The rationale I've heard from too many pharmacists is, "I'm not getting paid enough to keep up this guy's habit."

If we want to be treated like professionals, we have to act like professionals, even if it means a loss of business.

INSIDE PHARMACY

Study: Generics still in tough competition with brands

Generic vs. brand prescriptions for the top 10 products of 1985

Top brand name	Generic name	% Rx filled with generic 1983	1985
Dyazide	Hydrochlorothiazide/triamterene	100%	90%
Lanoxin (Lanoxicaps)	Digoxin	99	99
Inderal (Inderal LA)	Propranolol	100	95
Valium (Valrelease)	Diazepam	100	96
Tylenol with Codeine	Acetaminophen/codeine	69	59
Amoxil	Amoxicillin	62	63
Tagamet	Cimetidine	100	100
Lasix	Furosemide	80	64
Darvocet-N 100 (Darvocet-N 50)	Propoxyphene/acetaminophen	89	89
Motrin	Ibuprofen	88	64
Total 10 drugs/drug combinations		88	80

Source: F.D.A. *Drug Utilization in the U.S.*, National Prescription Audit

Continued from page 33

According to the study, 98 million new prescriptions were filled with generics in 1985, representing 13% of all new prescriptions. However, although new prescriptions for generics are up one percentage point from 1984, the proportion is down from 1982, when generics accounted for 14% of all new prescriptions.

Brands holding share

The study also shows that many of the top brand name drugs have not shown any significant decrease in market share in the face of lower-priced generic competitors.

For example, F.D.A. statistics indicate that Smith Kline & French's Dyazide continued to hold 90% of the hydrochlorothiazide/triamterene market in 1985 (down only 10 percentage points from 1983); Beecham's Amoxil maintained a 63% share (up from 62% in 1983); and Roche's Valium dominated the diazepam market with a 96% share in 1985 (from 100% in '83).

However, there are several top brand name drugs that have lost a portion of their market share from the introduction of generic versions. These include Hoechst-Roussel's Lasix, which dropped to 64% of the furosemide market from a former 80% share in 1983, and Upjohn's Motrin, which fell from 88% of prescription ibuprofen sales in '83 to 64% in '85.

Other highlights

The study also highlights three separate categories of drugs—oral antiarrhythmics, benzodiazephines and oral hypoglycemics. Major findings show that:

- Oral antiarrhythmic drugs represented only 1% of total Rx sales in 1985, but the number of prescriptions dispensed for these drugs increased by 83% from 1976 to 1985.
- Retail pharmacies dispensed 81 million benzodiazephine Rxs in 1985, with diazepam ranking as the most popular benzodiazephine.
- Through the 1980's, oral hypoglycemics "have experienced a resurgence in popularity," and accounted for 20.3 million prescriptions (up from a low of approximately 14 million in 1979), representing 1% of all Rxs dispensed in 1985.

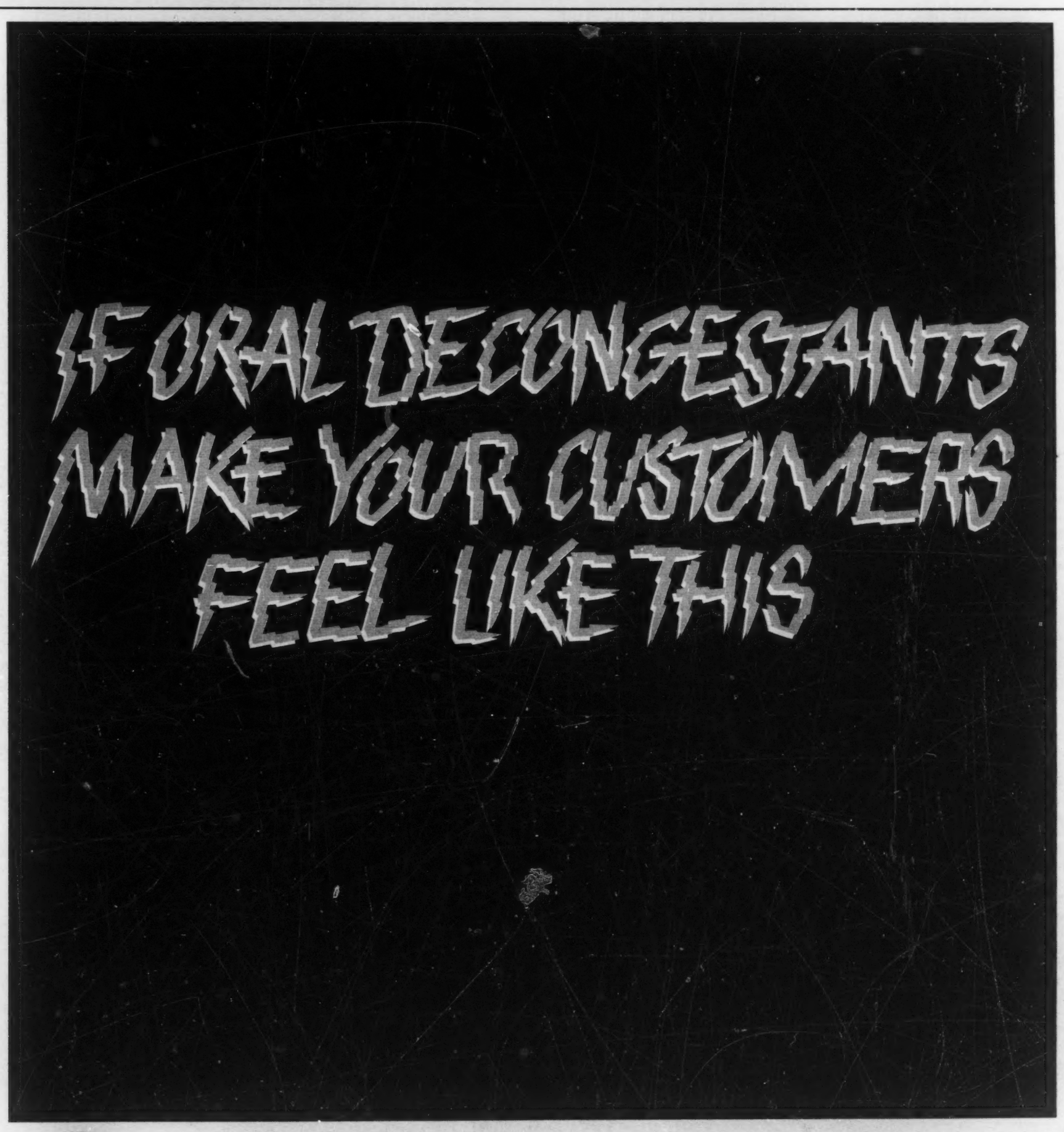
Rule proposed on Medicaid provider pay

WASHINGTON — The Department of Health and Human Services has proposed a rule to halt Federal Medicaid payments to pharmacists and other providers under criminal investigation.

The proposed rule is designed to encourage state Medicaid agencies to withhold program payments to a provider, without granting an opportunity for an administrative review, upon receipt of reliable evidence relating to fraud, willful misrepresentation or criminal investigation.

According to the proposal, even though the payments are to be withheld, the provider would continue to be credited for services furnished during that time.

The new guidelines are intended, H.H.S. explained, to make Federal Medicaid policy consistent with existing Medicare policy.



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(See special Back to School coverage starting on p. 15.)

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